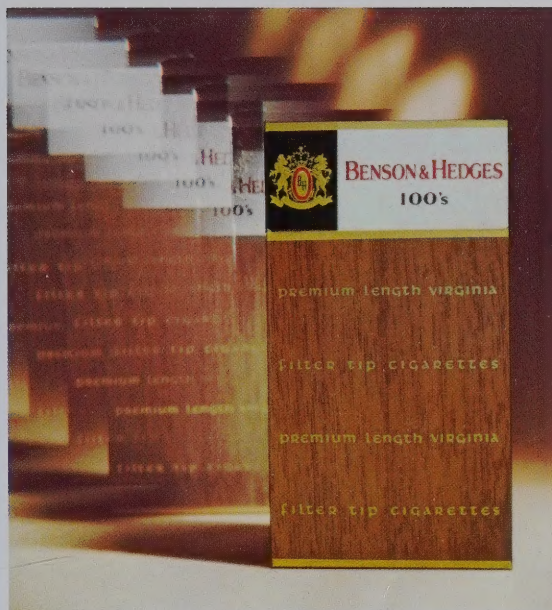


Benson & Hedges (Canada) Limited  
Annual Report 1973

AR32

*CanCorp*



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## Highlights

	1973	1972	% Change
Sales .....	\$170,389,000	\$151,293,000	+ 12.6
Earnings .....	3,255,000	2,741,000	+ 18.8
Total Assets .....	82,373,000	70,718,000	+ 16.5
Shareholders' Equity .....	28,736,000	25,481,000	+ 12.8
Capital Expenditures .....	9,412,000	8,285,000	
Employees* .....	1,415	1,380	+ 2.5

\*Full time and seasonal





C. F. Lombard  
President  
Benson & Hedges (Canada) Limited

The year 1973 was another highly successful year for Benson & Hedges (Canada) Limited with record consolidated operating revenues and profits.

Consolidated operating revenues for the year ending December 31, 1973 increased 12.6 percent to \$170,389,000. Operating revenues of \$148,785,000, a 10.4 percent increase, were realized from our tobacco operations while \$20,513,000, a 28.4 percent increase, was contributed by our brewing operations. Operating revenues from Benson & Hedges Retail Limited more than doubled to \$1,091,000.

Consolidated net profits for 1973 increased 18.8 percent to \$3,255,000 compared with \$2,741,000 last year. Net profits increased despite the substantial cost increases experienced in all our operations and the continuing cost of our effort to achieve a significant share of the Ontario beer market. A lower rate of federal income tax for the year had a favourable impact on consolidated net profits.

Both Benson & Hedges Tobacco Company and Formosa Spring Brewery increased their total sales and respective share of market.

### Benson & Hedges Tobacco Company

During 1973, Benson & Hedges Tobacco Company continued to gain a larger share of the Canadian cigarette market with both operating revenues and profits exceeding the results of all previous years.

Total Canadian cigarette sales increased 2.9 percent to 54.864 billion cigarettes from 53.292 billion in 1972, while Benson & Hedges Tobacco Company sales increased 6.8 percent to 7.800 billion cigarettes as compared with 7.305 billion for the previous year. For the year 1973 the Tobacco Company's share of the Canadian cigarette market exceeded 14 percent for the first time.

The performance of individual cigarette brands was encouraging with both of our major brands, Mark Ten and Belvedere, increasing their share of market. Sales of Benson & Hedges 100's, leader in the 100 mm category, grew rapidly, the brand increasing its market share. Belmont and Viscount, both high filtration cigarettes, also showed significant increases. During the year, Alpine, a king size menthol cigarette, was reformulated and, with new modern packaging, was re-introduced in the province of British Columbia. Our fine cut tobacco sales also continued to sharply outpace the growth in total industry sales.

Cigarette manufacturing and packing capacities in our Montreal and Brampton plants were substantially increased with the addition of new high-speed equipment. Modern new equipment was also installed in our leaf processing facility at Delhi, Ontario. This plant, acquired in September 1972, continued to achieve better than planned operating economies during the year.

The 1973 Ontario flue-cured tobacco crop will reach an estimated 235 million pounds as compared with the 167 million pounds grown in 1972 when the crop suffered severe frost damage. Average prices for the 1973 crop are expected to be slightly higher than the average price of 78 cents per pound paid for the 1972 crop. During the year, the Tobacco Company continued to experience substantial increases in costs for leaf,





packaging materials, fuel and increased cost of selling.

In 1973, to assist growers in producing a larger crop, the four major domestic cigarette manufacturers guaranteed the growers an average price of 72.5 cents per pound on all tobacco grown, for both domestic and export requirements, and contributed an additional one cent per pound to an export incentive fund.

### Formosa Spring Brewery

Formosa Spring Brewery sales continued to grow rapidly during 1973 to a total of 8,275,000 gallons, a 35.6 percent increase over the 6,105,000 gallons sold in 1972. During the year Formosa Spring Brewery achieved a 5.4 percent share of the Ontario beer market as compared with a 4.4 percent share for the previous year.

During the year Keg Ale, a new ale brewed to duplicate the taste characteristics and drinkability of real draught ale, was introduced in Ontario, and its sales made a significant contribution to Formosa's increased total volume. This new ale and our Oktoberfest brand, a lager introduced throughout the province of Ontario last year, now represent Formosa's two principal brands.

By year end, the second stage of expansion at our new modern brewery in Barrie, Ontario was essentially completed. This expansion programme, which includes a second high-speed bottling line, additional warehousing and shipping space and increased fermentation and aging capacity, increases the brewery's capacity to over 750,000 barrels a year. The completion of this expansion also resulted in a substantial improvement in the brewery's operating efficiency.

During the year, rapidly escalating costs for raw materials—malt, corn, imported hops—labour and depreciation, together with the increased marketing expenditures required to support two brands in a more competitive market, adversely affected Formosa's ability to become profitable. Beer prices in Ontario are controlled by the

Provincial Liquor Board, and brewers in the province were not permitted to increase their prices during the year.

While this division continued to be unprofitable in 1973, the increased awareness of Formosa Spring Brewery and acceptance of its products continues to indicate that our confidence in this growing business is justified.

### Benson & Hedges Retail Limited

Sales of our retail division during 1973 more than doubled and exceeded \$1,000,000 for the first time since the establishment of Benson & Hedges Retail Limited in 1971.

By year end Benson & Hedges Retail Limited increased the number of its stores to nine. New stores were opened in Montreal, Halifax and Barrie, Ontario. A new wholesale division was successfully added to distribute our cigars, pipes, lighters and other products, both to our own retail stores, and to other stores across Canada.

Start-up costs associated with new store openings affected the profitability of Benson & Hedges Retail Limited but the small losses were within forecast. Sales in the mature stores continued to improve as store traffic increased. The retail company continues to contribute substantially to the sales and awareness of our Benson & Hedges 100's cigarette brand. In 1973, commitments were made to add a minimum of nine retail stores in the coming year, bringing the number of our stores to eighteen.

### The Company in the Community

Aware of the need for environmental concern and community involvement, Benson & Hedges (Canada) Limited has increased its financial aid to the many worthwhile charitable organizations and institutions across Canada. Its divisions both design and support projects aimed at bettering the cultural fabric of the communities in which our offices and other facilities are located, and on a broader geographic scale.



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During the year, in conjunction with the Crafts Guild of Ontario, Benson & Hedges sponsored a major exhibition of works by Ontario craftsmen, and in order to enlarge the scope of this project, planning was completed to assist the World Crafts Council in bringing craftsmen and their work from all over the world for a major exhibition to be held in Toronto in 1974.

At Formosa Spring Park, a 60 acre site adjoining the brewery at Barrie, recreational and conservation facilities were substantially enlarged and the number of activities and events increased. The park's cross country skiing facilities, providing free use of skiing equipment, were used by more than 60,000 visitors this season.

Benson & Hedges employees also continued to be involved both in the arts, through company-assisted projects, and in the community, where they give not only financial support to numerous charitable and community projects but also volunteer many hours of their time for community service across Canada.

## Smoking and Health

In recent years, the Canadian cigarette manufacturers have implemented a series of voluntary steps encompassing restraints on cigarette advertising, including the removal of all cigarette advertising from radio and television in 1972, cautionary notices on packages, and limits on the tar and nicotine content of cigarettes.

During the past year, the Canadian manufacturers voluntarily included a cautionary notice in all print advertising and eliminated cigarette advertising on vending machines.

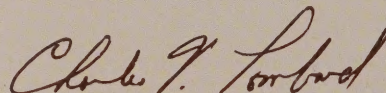
In an effort to provide answers to the many questions raised by the smoking and health controversy, this Company, together with other members of the Canadian tobacco industry, continued its substantial financial support for programmes in the field of medical and biological research.

In fact, recent research has uncovered a broad spectrum of suspected risk factors other than smoking. Additional intensive research on the chemistry of tobacco smoke during the past decade has failed to identify any component of smoke which, in the amount present, can be considered a causal factor in any human disease.

It is our opinion that the claim that cigarette smoking bears a causal relationship to disease is, in fact, more open to question today than it was ten years ago.

## Closing

On behalf of the Board of Directors of Benson & Hedges (Canada) Limited, I would like to thank the members of our Company for their contribution to our continued growth in 1973. We are confident that their dedication to performance will continue to benefit the Company in the years ahead.



C. F. Lombard  
President



# Benson & Hedges (Canada) Limited Locations



## Benson & Hedges (Canada) Limited

Executive Office  
Suite 1400  
60 Bloor Street West  
Toronto, Ontario

## Benson & Hedges Tobacco Company

Head Office  
Suite 800  
Place du Canada  
Montreal, Quebec  
Regional Offices  
Halifax, Nova Scotia  
Montreal, Quebec  
Toronto, Ontario  
Vancouver, B.C.  
Branch Offices  
Halifax, Nova Scotia  
Moncton, New Brunswick  
Quebec, Quebec  
Montreal, Quebec  
Sherbrooke, Quebec  
Ottawa, Ontario  
Don Mills, Ontario  
St. Thomas, Ontario  
Winnipeg, Manitoba  
Regina, Saskatchewan  
Edmonton, Alberta  
Vancouver, B.C.

Factories  
Montreal, Quebec  
Brampton, Ontario  
Delhi, Ontario  
Warehouses  
Moncton, New Brunswick  
Montreal, Quebec  
Don Mills, Ontario  
Winnipeg, Manitoba  
Edmonton, Alberta  
Vancouver, B.C.

## Formosa Spring Brewery

Head Office  
Suite 1400  
60 Bloor Street West  
Toronto, Ontario  
Brewery  
Barrie, Ontario

## Benson & Hedges Retail Limited

Head Office  
Suite 1400  
60 Bloor Street West  
Toronto, Ontario  
Stores  
Dartmouth, Nova Scotia  
Place Bonaventure  
Montreal, Quebec  
Place Ville Marie  
Montreal, Quebec

1500 Cavendish Blvd.  
Montreal, Quebec  
7815 Decarie Blvd.  
Montreal, Quebec  
Ottawa, Ontario  
101 Bloor Street West  
Toronto, Ontario  
Hyatt House  
Toronto, Ontario  
Barrie, Ontario  
Hamilton, Ontario  
Stores Planned for 1974  
Hamilton, Ontario  
Sault Ste. Marie, Ontario  
Place Quebec  
Quebec, Quebec  
Concord Hotel  
Quebec, Quebec  
Richmond Hill, Ontario  
Kitchener, Ontario  
Moncton, New Brunswick  
Vancouver, B.C.

# Benson & Hedges Tobacco Company

A division of Benson & Hedges (Canada) Limited  
For the years ended December 31, 1973

## Officers

**C.F. Lombard**  
President

**J.E. Broen**  
Executive Vice President

**O.Y. Primeau**  
Vice President—Sales,  
President, Les Tabacs Benson & Hedges,  
Québec & Maritimes

**W.I. Campbell**  
Vice President,  
Director of Marketing

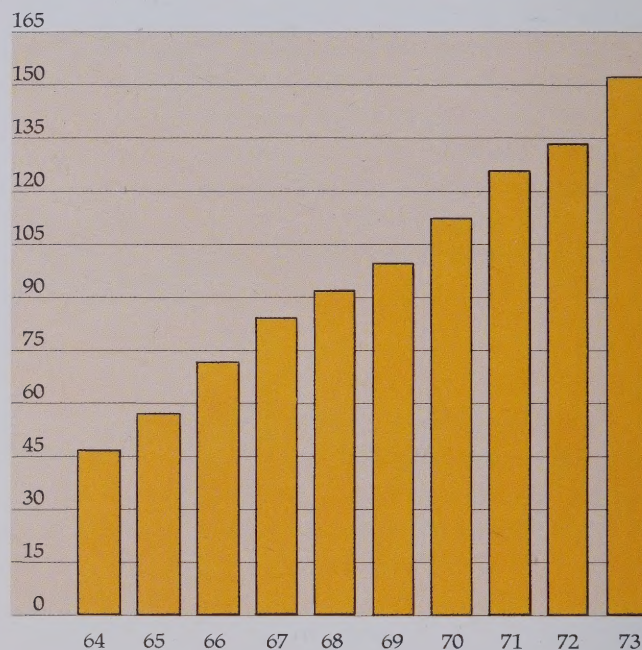
**P. Maslanka**  
Director of Finance and Administration

**J.G. Pritchard**  
Vice President,  
Director of Manufacturing—Leaf

**V. Lukoshius**  
Comptroller

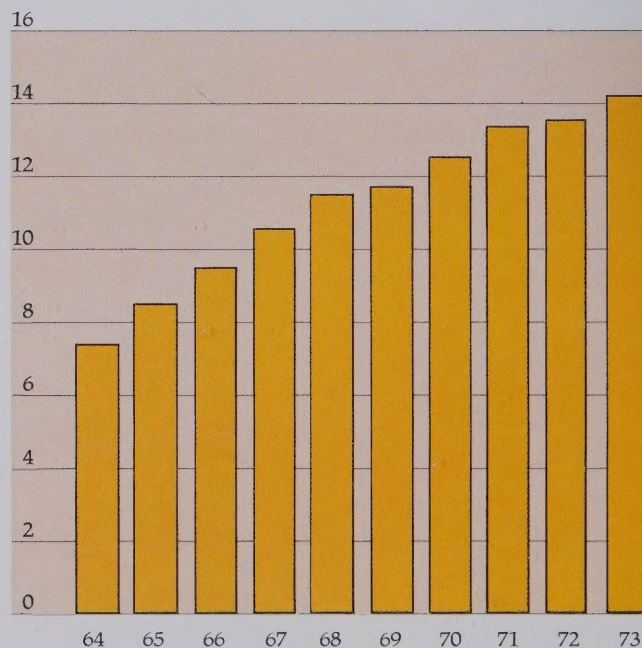
## Operating Revenues

Millions of Dollars



## Cigarette Market Share

Percentage



## Erratum

**L.J. Crook**  
Vice President—Sales,  
Ontario & Western Canada,  
is an Officer of the Company.

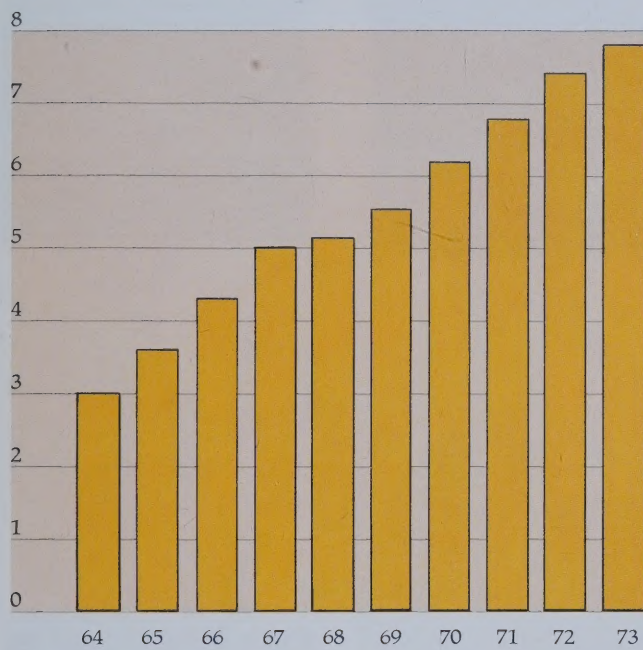
His name was inadvertently omitted  
through a publishing error.



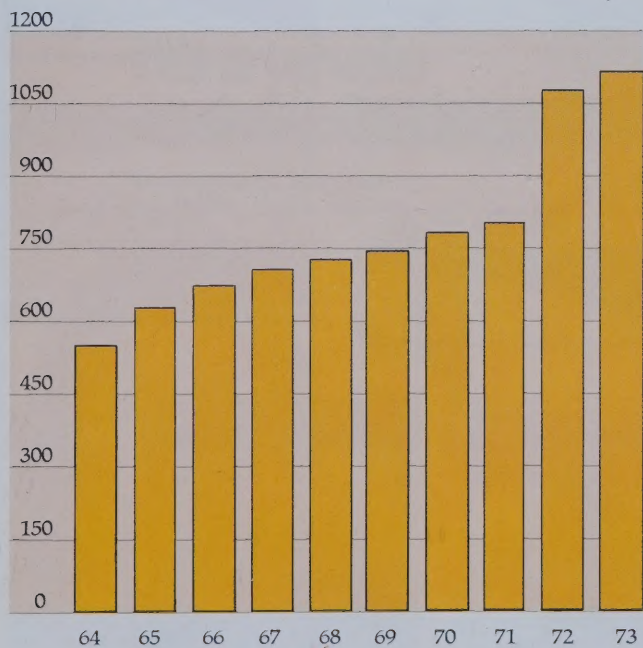


## Sales Units

Billions of Cigarettes



## Employees





**Beautiful Blue**  
Belvedere • Flavour • Beautiful

WARNING: The Department of National Health and Welfare advises that danger to health increases with amount smoked.



Mark Ten. Rich flavour. Unvarying quality.

**A certain satisfaction.**

FILTER • PLAIN • MENTHOL

Warning: The Department of National Health and Welfare advises that danger to health increases with amount smoked.



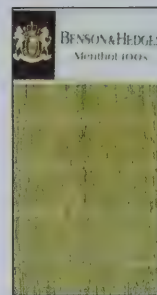


Like Benson & Hedges...  
the longer the better.



Why settle for short?

Warning: The Department of National Health and Welfare advises that danger to health increases with amount smoked.

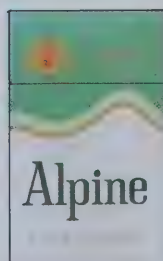


It's a whole  
new Alpine!

More menthol. More mildness.  
Canadian Virginia Tobacco.



WARNING: The Department of National Health and Welfare advises that danger to health increases with amount smoked.



Warning: The Department of National Health and Welfare advises that danger to health increases with amount smoked.



# Formosa Spring Brewery

A division of Benson & Hedges (Canada) Limited  
For the years ended December 31, 1973

## Officers

**N.B. Wright**

President and  
Director of Marketing

**S. Lunder**

Executive Vice President

**G. Hardy**

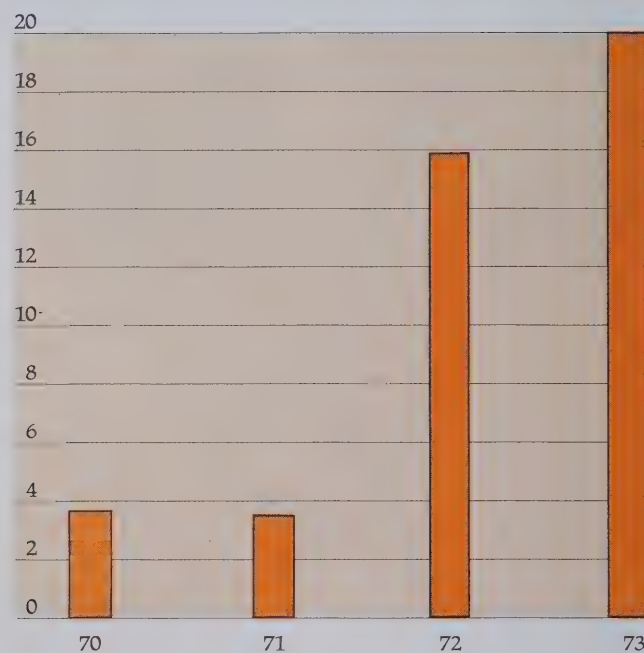
Vice President,  
Operations

**R. Robinson**

Comptroller

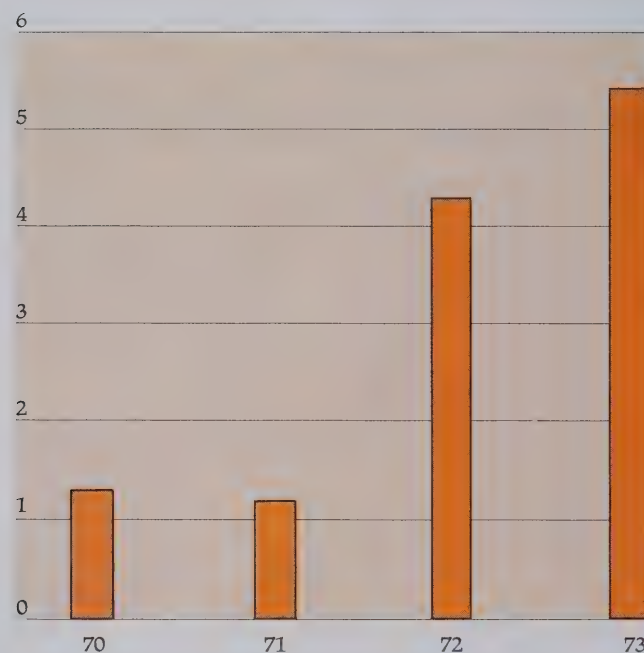
## Operating Revenues

Millions of Dollars



## Ontario Market Share

Percentage

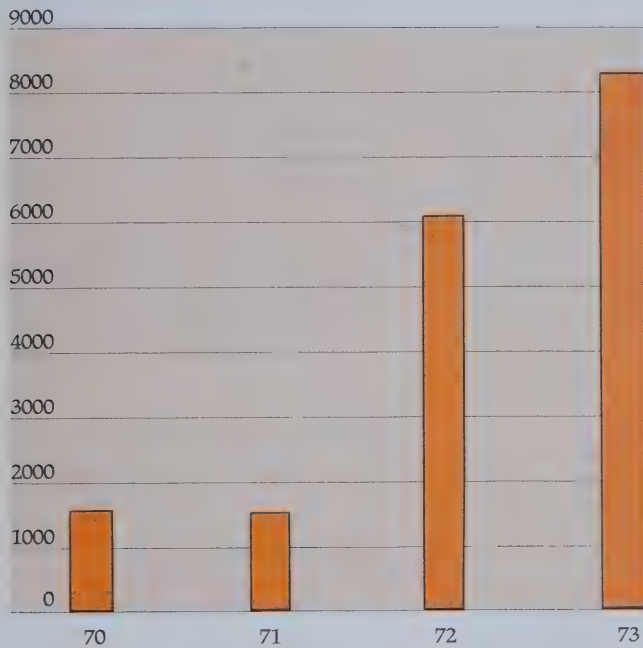




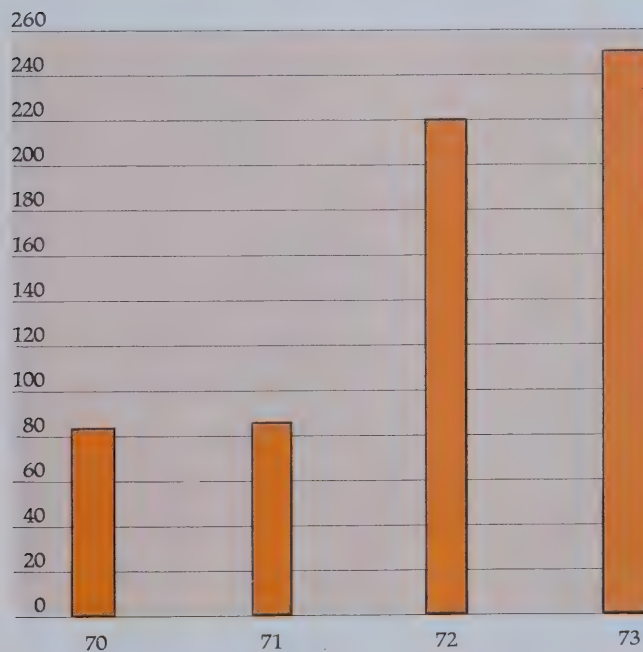


## Sales Units

Thousands of Gallons



## Employees





# Oktoberfest

introduces the new 12 can  
"COLD PACK"



**Keeps Beer Cold  
4 - 6 Hours.**

Oktoberfest, the only Canadian beer with real Bavarian flavour, introduces a new pack that keeps your beer cold 4 to 6 hours. The Oktoberfest "Cold Pack". It's foil insulated, and the one-at-a-time end panel dispenser always keeps a cold one on hand. Snap into summer with a "Cold Pack" of Oktoberfest Beer, today. And you can cash in your empties at any Brewer's Retail Store, tomorrow.



Please  
don't litter.  
Refund your  
empty cans.

**Oktoberfest**  
It only tastes imported

# Now internationally acclaimed for brewing excellence

Monde Selection-1973

In this year's international competition with 85 of the world's best beers from 60 different brewers, Oktoberfest was internationally acclaimed for its taste and quality.

International recognition like this doesn't come easily. Neither does a beer like Oktoberfest.

Oktoberfest is brewed according to the secret time-honoured recipe of the Heisz family with 100% Bavarian hops to give you real Bavarian flavour. Yet Oktoberfest is brewed right here in Ontario.

Try the Bavarian taste and flavour of Oktoberfest. Judge it for yourself.

**Oktoberfest**  
It only tastes imported.



At the same price  
as ordinary beers.



**Happy  
Father's Day  
Dad**

**Have a barrel of fun**

The June 17 give your Dad the most refreshing Father's Day gift he's ever had. The Oktoberfest Barrel. It's a barrel of fun, a barrel of beer, a barrel of love. It's a barrel of fun, a barrel of beer, a barrel of love. It's a barrel of fun, a barrel of beer, a barrel of love.

Oktoberfest Draft Beer  
It only tastes imported



**Oktoberfest**  
REAL BAVARIAN FLAVOUR ON TAP



APPROX. 16 GLASSES  
NET CONTENTS 132 FL. OZS. (3.77 LITERS)







CUSTOM BREWED FOR  
REAL DRAFT TASTE AND SMOOTHNESS

Formosa Spring introduces

# KEG DRAFT

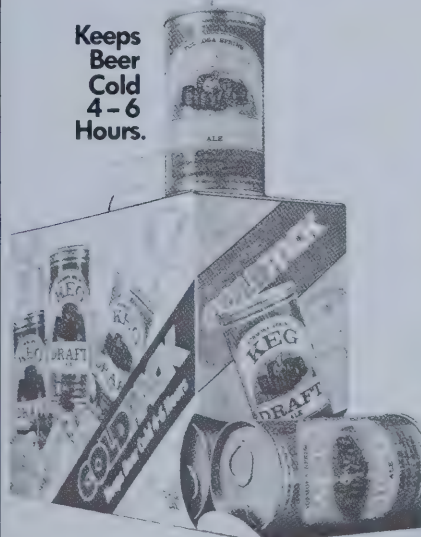
Ontario's first draft ale  
in bottles

FORMOSA SPRING  
NOW INTRODUCES  
THE 12 CAN

# KEG DRAFT

**COLD PACK**

Keeps  
Beer  
Cold  
4-6  
Hours.

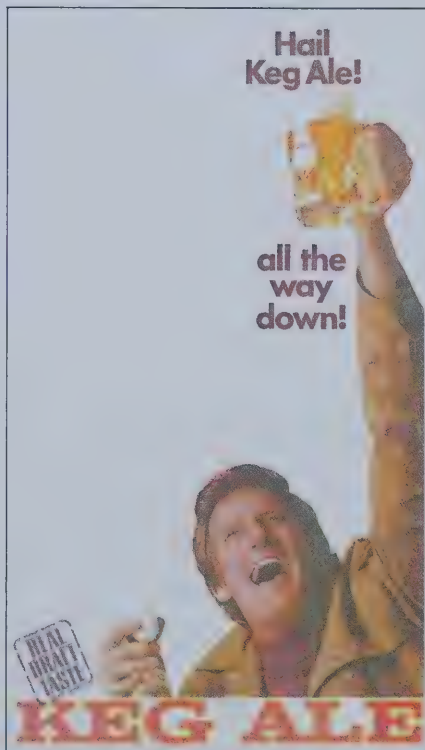


Easy drinking draft  
all the way down

CUSTOM BREWED FOR REAL DRAFT TASTE AND SMOOTHNESS

Hail  
Keg Ale!

all the  
way  
down!



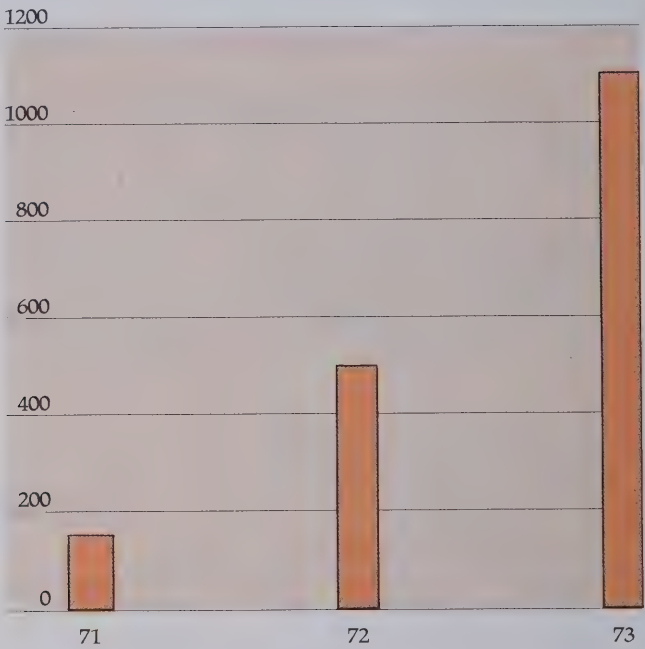


**B & H Retail Limited**  
For the years ended December 31, 1973

T.W. Powell  
President,  
B & H Retail Limited

**Sales**

Thousands of Dollars









# Benson & Hedges (Canada) Limited

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## Directors

### J.F. Cullman 3rd

Chairman of the Board of Directors  
Chairman of the Board, Philip Morris Inc.

### P. Bienvenu

Director  
Chairman of the Board of Directors,  
Place Victoria-Jacques Cartier

### R.F. Chisholm

Director Emeritus  
Chairman of the Board of Directors,  
William Mara Company Limited

### J.B. Claxton

Director  
Q.C., LaFleur & Brown

### H. Cullman

Director  
President, Philip Morris International

### C.F. Lombard

Director  
President, Benson & Hedges (Canada) Limited

### G.E. Mara

Director  
President, William Mara Company Limited

### O.Y. Primeau

Director  
Vice President, Benson & Hedges (Canada) Limited

### J.G. Pritchard

Director  
Vice President, Benson & Hedges (Canada) Limited

### M. Sauvé

Director  
Vice President, Administration, Consolidated  
Bathurst Limited

### W. Stevenson

Director  
President, Millbrook Industries

### A. Toledo

Director  
President, Intercorporate Management Limited

### W.D. Whitaker

Director  
President, W.D. Whitaker and Associates

### N.B. Wright

Director  
Vice President, Benson & Hedges (Canada) Limited

## Officers

### N. Janelle

Vice President Finance, Treasurer and Secretary,  
Benson & Hedges (Canada) Limited

### D.K. Marshall

Assistant Comptroller, Benson & Hedges (Canada) Limited



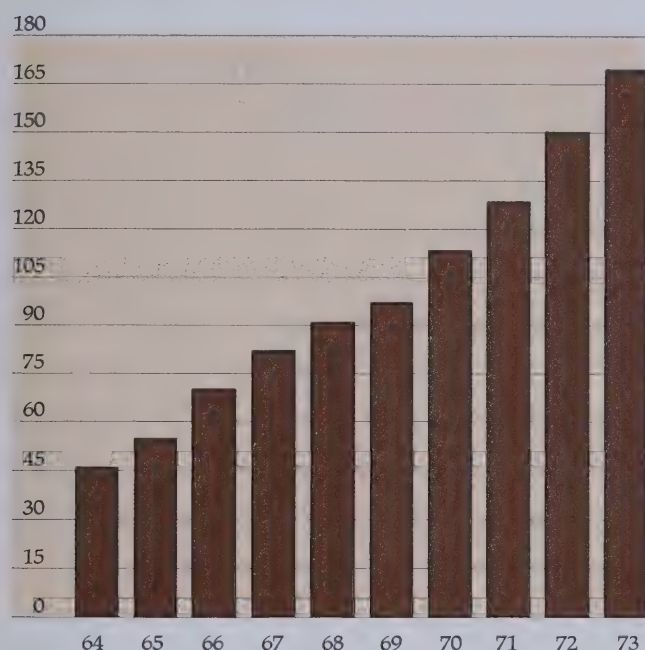
# Benson & Hedges (Canada) Limited Consolidated Operations

For the years ended December 31, 1973



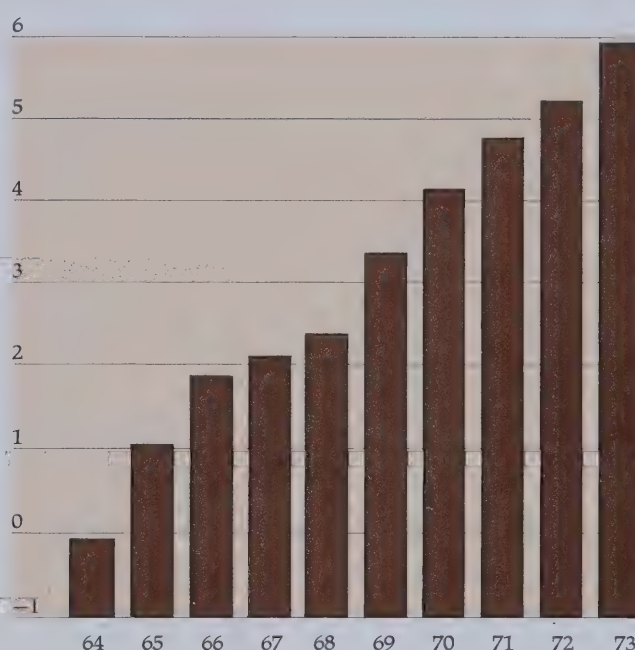
## Operating Revenues

Millions of Dollars



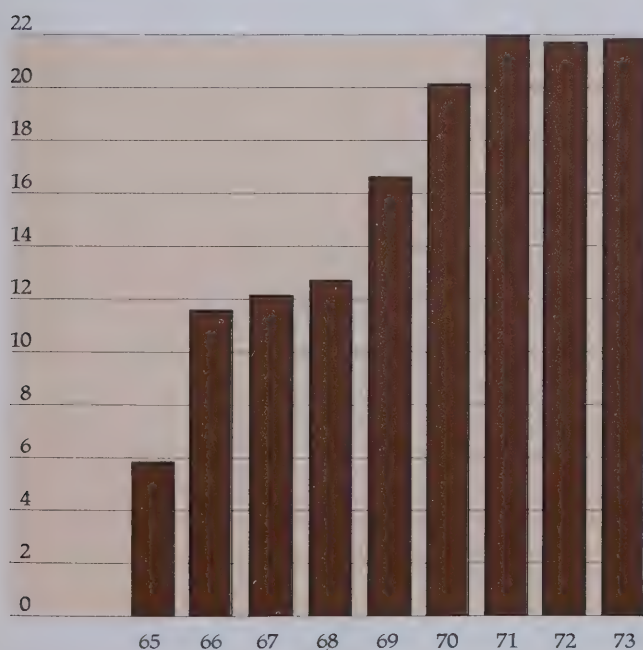
## Earnings Before Income Taxes

Millions of Dollars

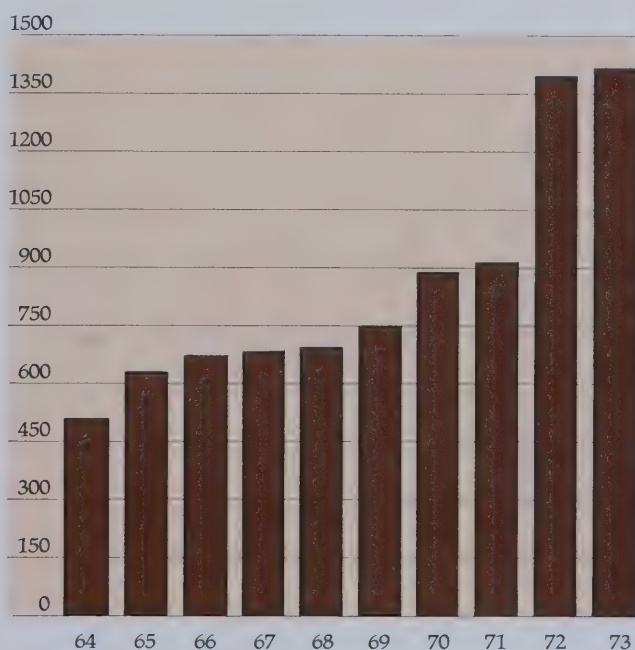


## Pre-Tax Return on Shareholders' Equity

Percentage



## Employees





# Consolidated Balance Sheet as at December 31, 1973

Benson & Hedges (Canada) Limited and Subsidiary Company

## Assets

### Current Assets

	1973	1972
Accounts receivable.....	\$13,134,000	\$13,364,000
Inventories—at the lower of average cost or net realizable value .....	30,233,000	26,133,000
Prepaid expenses.....	567,000	445,000
Income taxes recoverable .....	672,000	113,000
	<u>44,606,000</u>	<u>40,055,000</u>

Investment—at cost .....	<u>911,000</u>	<u>910,000</u>
--------------------------	----------------	----------------

### Fixed Assets

Land, buildings and equipment—at cost .....	46,714,000	37,430,000
Less: Accumulated depreciation and amortization.....	<u>9,858,000</u>	<u>7,677,000</u>
	36,856,000	29,753,000

	<u>\$82,373,000</u>	<u>\$70,718,000</u>
--	---------------------	---------------------

Signed on behalf of the Board

*Charles F. Lord*

Director

*Nolan B. Wright*

Director





## Liabilities

### Current Liabilities

	1973	1972
Bank indebtedness .....	\$24,824,000	\$22,408,000
Notes payable.....	2,000,000	—
Accounts payable and accrued liabilities .....	11,184,000	9,582,000
Accounts payable to affiliated companies.....	79,000	102,000
	<u>38,087,000</u>	<u>32,092,000</u>

Long-Term Debt (note 2) .....	9,985,000	9,985,000
-------------------------------	-----------	-----------

Deferred Income Taxes.....	<u>5,565,000</u>	<u>3,160,000</u>
	<u>53,637,000</u>	<u>45,237,000</u>

## Shareholders' Equity

### Capital Stock

Authorized—

6,000,000 shares without nominal or par value

Issued and fully paid—

4,068,528 shares.....	20,343,000	20,343,000
-----------------------	------------	------------

Retained Earnings.....	<u>8,393,000</u>	<u>5,138,000</u>
------------------------	------------------	------------------

	<u>28,736,000</u>	<u>25,481,000</u>
	<u>\$82,373,000</u>	<u>\$70,718,000</u>



# Consolidated Statement of Earnings

Benson & Hedges (Canada) Limited and Subsidiary Company

For the year ended December 31, 1973

	1973	1972
Sales (note 3) .....	\$170,389,000	\$151,293,000
Less: Excise and sales taxes.....	<u>97,748,000</u>	<u>88,978,000</u>
	<u>72,641,000</u>	<u>62,315,000</u>
<b>Costs</b>		
Manufacturing, distributing, selling, general and administrative .....	62,303,000	53,694,000
Depreciation .....	2,309,000	1,830,000
Interest on long-term debt.....	600,000	42,000
Other interest .....	<u>1,507,000</u>	<u>1,508,000</u>
	<u>66,719,000</u>	<u>57,074,000</u>
	5,922,000	5,241,000
 Income Taxes .....	<u>2,667,000</u>	<u>2,500,000</u>
 Net Earnings for the Year .....	<u>\$ 3,255,000</u>	<u>\$ 2,741,000</u>

# Consolidated Statement of Retained Earnings

Benson & Hedges (Canada) Limited and Subsidiary Company  
For the year ended December 31, 1973



	1973	1972
Balance—Beginning of Year .....	\$5,138,000	\$2,397,000
Net earnings for the year.....	<u>3,255,000</u>	<u>2,741,000</u>
Balance—End of Year.....	<u>\$8,393,000</u>	<u>\$5,138,000</u>

# Consolidated Statement of Source and Use of Working Capital

Benson & Hedges (Canada) Limited and Subsidiary Company  
For the year ended December 31, 1973

Source of Working Capital	1973	1972
Net earnings for the year.....	\$3,255,000	\$2,741,000
Add: Items not affecting working capital—		
Depreciation and amortization .....	2,309,000	1,830,000
Deferred income taxes.....	<u>2,405,000</u>	<u>1,608,000</u>
Provided from operations.....	7,969,000	6,179,000
(Increase) Decrease in investments—net.....	(1,000)	60,000
Long-term loan from parent company.....	<u>—</u>	<u>9,985,000</u>
	<u>7,968,000</u>	<u>16,224,000</u>
 Use of Working Capital		
Additions to fixed assets—net.....	9,412,000	8,285,000
Repayment of long-term debt.....	<u>—</u>	<u>145,000</u>
	<u>9,412,000</u>	<u>8,430,000</u>
 (Decrease) Increase in Working Capital.....	(1,444,000)	7,794,000
 Working Capital—Beginning of Year .....	<u>7,963,000</u>	<u>169,000</u>
 Working Capital—End of Year.....	<u>\$6,519,000</u>	<u>\$7,963,000</u>

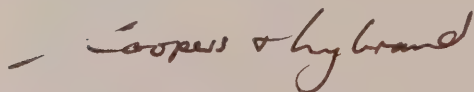


## Auditors' Report to the Shareholders

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We have examined the consolidated balance sheet of Benson & Hedges (Canada) Limited and subsidiary company as at December 31, 1973 and the related consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants, Toronto  
January 10, 1974

# Notes to Consolidated Financial Statements

Benson & Hedges (Canada) Limited and Subsidiary Company  
For the year ended December 31, 1973



## 1. Principles of Consolidation

The consolidated financial statements as of December 31, 1973 include the accounts of Benson & Hedges (Canada) Limited and its wholly-owned subsidiary B&H Retail Limited.

## 2. Long-Term Debt

Long-term debt consists of:

	1973	1972
Loan from parent company— 6% note repayable on December 31, 1978 (U.S. \$10,000,000) .....	\$9,985,000	\$9,985,000

## 3. Sales

Gross sales of \$170,389,000 in 1973 include \$20,513,000 attributable to brewing operations and \$149,876,000 from tobacco operations

## 4. Remuneration of Directors and Officers

The directors of the company numbered thirteen at December 31, 1973 and their remuneration as directors was \$21,500 during the year. Four of the company's directors are also officers of the company. The officers of the company numbered seven during the year and their aggregate remuneration was \$334,000.

## 5. Pension Plan

The companies have pension plans covering substantially all of their employees. The unfunded liability as at December 31, 1971, the date of the last actuarial review, has been funded during the current year.





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**Auditors:**

Coopers & Lybrand

**Bankers:**

The Royal Bank of Canada

The Bank of Montreal

**Legal Counsel:**

LaFleur & Brown

Miller, Thompson, Sedgewick,

Lewis & Healy







